

**Introduced by Senator Florez**

January 27, 2005

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An act to amend Sections 22303 and 22304 of, and to add Section 22343 to, the Financial Code, relating to loans.

LEGISLATIVE COUNSEL'S DIGEST

SB 120, as introduced, Florez. Consumer loans.

Existing law, the California Finance Lenders Law, provides for the licensure and regulation by the Commissioner of Corporations of those engaged in making consumer loans, as defined. The law exempts a licensee from certain regulations for loans of a bona fide principal amount less than \$2,500. The law makes a willful violation of its provisions a misdemeanor.

This bill would instead exempt a licensee from certain regulations for loans if the bona fide principal amount is less than \$10,000. The bill would prohibit a licensee from taking the title to a vehicle as security for a consumer loan unless certain conditions are satisfied.

Because a violation of the bill's provisions would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Section 22303 of the Financial Code is amended to read:

22303. Every licensee who lends any sum of money may contract for and receive charges at a rate not exceeding the sum of the following:

(a) Two and one-half percent per month on that part of the unpaid principal balance of any loan up to, including, but not in excess of two hundred twenty-five dollars (\$225).

(b) Two percent per month on that portion of the unpaid principal balance in excess of two hundred twenty-five dollars (\$225) up to, including, but not in excess of nine hundred dollars (\$900).

(c) One and one-half percent per month on that part of the unpaid principal balance in excess of nine hundred dollars (\$900) up to, including, but not in excess of one thousand six hundred fifty dollars (\$1,650).

(d) One percent per month on any remainder of such unpaid balance in excess of one thousand six hundred fifty dollars (\$1,650).

This section does not apply to any loan of a bona fide principal amount of ~~two thousand five hundred dollars (\$2,500)~~ *ten thousand dollars (\$10,000)* or more as determined in accordance with Section 22251.

SEC. 2. Section 22304 of the Financial Code is amended to read:

22304. As an alternative to the charges authorized by Section 22303, a licensee may contract for and receive charges at the greater of the following:

(a) A rate not exceeding 1.6 percent per month on the unpaid principal balance.

(b) A rate not exceeding five-sixths of 1 percent per month plus a percentage per month equal to one-twelfth of the annual rate prevailing on the 25th day of the second month of the quarter preceding the quarter in which the loan is made, as established by the Federal Reserve Bank of San Francisco, on advances to member banks under Sections 13 and 13a of the Federal Reserve Act, as now in effect or hereafter from time to time amended, or if there is no such single determinable rate for advances, the

1 closest counterpart of this rate as shall be determined by the  
2 Commissioner of Financial Institutions of the State of California.  
3 Charges shall be calculated on the unpaid principal balance.

4 This section does not apply to any loan of a bona fide principal  
5 amount of ~~two thousand five hundred dollars (\$2,500)~~ *ten*  
6 *thousand dollars (\$10,000)* or more as determined in accordance  
7 with Section 22251.

8 SEC. 3. Section 22343 is added to the Financial Code, to read:

9 22343. No licensee shall take the title to a vehicle as security  
10 for any consumer loan unless the following requirements are  
11 satisfied:

12 (a) The annual interest rate for the consumer loan is no greater  
13 than \_\_\_\_ percent.

14 (b) The licensee provides the consumer with a disclosure that  
15 informs the consumer of the interest rate and any fees or other  
16 charges associated with the consumer loan, and the consequences  
17 for defaulting on the consumer loan.

18 SEC. 4. No reimbursement is required by this act pursuant to  
19 Section 6 of Article XIII B of the California Constitution because  
20 the only costs that may be incurred by a local agency or school  
21 district will be incurred because this act creates a new crime or  
22 infraction, eliminates a crime or infraction, or changes the  
23 penalty for a crime or infraction, within the meaning of Section  
24 17556 of the Government Code, or changes the definition of a  
25 crime within the meaning of Section 6 of Article XIII B of the  
26 California Constitution.